

MINUTES

**MONTANA SENATE
56th LEGISLATURE - REGULAR SESSION**

COMMITTEE ON TAXATION

Call to Order: By **SEN. PETE EKEGREN**, on February 16, 1999 at
8:00 A.M., in Room 413/415 Capitol.

ROLL CALL

Members Present:

Sen. Gerry Devlin, Chairman (R)
Sen. Bob DePratu, Vice Chairman (R)
Sen. John C. Bohlinger (R)
Sen. Dorothy Eck (D)
Sen. E. P. "Pete" Ekegren (R)
Sen. Jon Ellingson (D)
Sen. Alvin Ellis Jr. (R)
Sen. Bill Glaser (R)
Sen. Barry "Spook" Stang (D)

Members Excused: None

Members Absent: None

Staff Present: Sandy Barnes, Committee Secretary
Lee Heiman, Legislative Branch

Please Note: These are summary minutes. Testimony and
discussion are paraphrased and condensed.

Committee Business Summary:

Hearing(s) & Date(s) Posted: SB 407, 2/12/1999
Executive Action: None

HEARING ON SB 407

Sponsor: SENATOR VICKI COCCHIARELLA, SD 32, MISSOULA

Proponents: Linda Stohl, Montana Association of Planners
Janet Ellis, Montana Audubon
Anne Hedges, Montana Environmental Information
Center

Opponents: Peter Blouke, Director, Department of Commerce
Stuart Doggett, Montana Innkeepers Association
Carl Schweitzer, Bozeman and Kalispell Chambers
Amy Sullivan, Montana Tourism Coalition

Opening Statement by Sponsor:

SEN. VICKI COCCHIARELLA, SD 32, Missoula, said that this bill comes from the interim process of the Environmental Quality Council, which focused on how to help Montana communities deal with growth, whether it be decline or increase in population. She handed out copies of "Planning for Growth in Montana, Final Report to the 56th Legislature," **EXHIBIT (tas38a01)**. She said there have been three bills go through the Senate, **SB 95, SB 96** and **SB 97**, which encompass the details of the work the Council did that is reflected in this document. Those bills take the focus of making decisions at the subdivision level into a process of growth policy planning.

SEN. COCCHIARELLA said **SB 407** allocates \$1 million of the bed tax to provide to communities an opportunity to do real, true planning for their area. She said the "tool box" that communities need to provide planning is empty when it comes to funding. She said that 60% of the people moving into Montana are from out of state, and communities need help in dealing with the influx.

SEN. COCCHIARELLA said the main part of this bill is on page 4, Section 2, which provides for grants to local governments for development of growth policies. These grants may not exceed 50% of the eligible costs or \$25,000, whichever is less. This bill requires that these communities come up with a 50% match to qualify for a grant. She said the top of page 5 sets out the stipulations necessary to get these grants: 1) develop a growth policy, 2) contribute 50% of the eligible costs, and 3) complete the growth policy within 1 year of receiving the grant.

SEN. COCCHIARELLA said the Council struggled very hard with a source of revenue, and the bed tax is very appropriate for this program because it is set up to develop tourism, and our communities will be a better tourism faction with better planning. She asked the committee to favorably consider this bill, but said she would be willing to consider other sources of revenue if something better is suggested.

Proponents' Testimony:

Linda Stohl, Montana Association of Planners, said that master planning for communities takes time and money, and this bill

helps to defray the cost of this planning process. She urged support of **SB 407**.

Janet Ellis, Montana Audubon, said that land use planning is necessary to deal with growth in Montana, and this bill will provide the necessary match that will enable communities to do some land use planning. She provided written testimony, **EXHIBIT (tas38a02)**.

Anne Hedges, Montana Environmental Information Center, said that her organization attended a lot of the meetings of the Environmental Quality Council, and everyone agreed that it was a good idea to start funding planning. She said plans are not regulatory tools, but are guides for growth, tools that can be used to address the rapid growth that Montana is experiencing in some areas. She said urged support for the bill.

Opponents' Testimony:

Peter Blouke, Director, Department of Commerce, said the Department of Commerce is not opposed to the concept of **SB 407**, but of the funding mechanism. The Administration does object and does arise in opposition of the use of the bed tax for this purpose. He said a reduction of \$1 million annually to Travel Montana would result in elimination of the tourism infrastructure investment program, the community tourism assessment program, superhost program, and approximately \$700,000 yearly in marketing. Tourism is one of the few bright economic spots in Montana, and we should not begin to dismantle that program.

Matthew Cohn, Travel Montana, Department of Commerce, handed out an article entitled "Motives for Migration: A Study of Montana Newcomers," **EXHIBIT (tas38a03)**. He referred the committee to page 17 of this article, "Summary." "Only two of five households migrating to Montana are truly newcomers to the state. A full 60% of migrant households are actually returning Montanans. An even higher percentage of Californians migrating to Montana are coming back after some years away. Most of our newcomers, then, are not new." He said over the last seven years, we have had approximately 40 million nonresident visitors to Montana, and during that same period of time, we have had a growth of about 30,000 from outside, and now we find that 60% of those are merely Montanans returning.

Stuart Doggett, Montana Innkeepers Association, said his organization has questions about the need for developing a new \$1 million state program, about who is really moving to Montana, and has concerns about the impact this bill may have on other pending legislation in the House. He said Montana currently ranks 29th

in tourism budgets in this country, and Montana's program is respected for its efficiency and its quality. He said his organization also has concerns about page 1, line 11, which says that since 1990 more than 60% of Montana's population growth has been a result of the in-migration of residents from other states, when a good portion of these are returning Montanans. Finally, he said that if **SB 407** passes, it may deter the passage of **HB 286** which makes changes in the bed tax and has strong support from a cross-section of Montanans. **SB 286** reallocates 4.5% of the bed tax to go to the Heritage Commission. He suggested that there are more appropriate funding sources, and he recommended not passing this bill.

Carl Schweitzer, Bozeman and Kalispell Chambers, said they are not opposed to the concept of looking at planning and doing planning studies, but they are opposed to the use of bed tax monies for that. He said there is a delicate balance on how that money is being allocated, and recommended looking for alternative methods of financing this program.

Amy Sullivan, Montana Tourism Coalition, said that the studies show that much of the growth in Montana is returning Montanans. She said Montana's tourism industry injected \$1.2 billion into Montana's economy, a good percentage of which comes back to the General Fund. She wondered why this project could not be funded from the General Fund.

Questions from Committee Members and Responses:

SEN. ELLIS asked **Dr. Blouke** how familiar he was with planning around the state in various communities, and he replied that he would not characterize himself as an expert, but that working with the Local Government Division, he is somewhat familiar with problems being experienced by communities in planning. **SEN. ELLIS** said that generally a problem has to reach a critical level before it will be dealt with on a local basis, and he asked if this will create the incentive for a lot of communities to begin this process or will they still need pressure from the people of the community, and **Dr. Blouke** said that there is in most cases no single stimulus that will drive this sort of planning process. He said, again, that the Department is not opposed to the need for planning, but does question whether this is the appropriate funding mechanism.

SEN. ELLIS then asked **SEN. COCCHIARELLA** whether \$1 million was really needed, since that would establish quite a few \$25,000 grants. **SEN. COCCHIARELLA** provided a handout which showed the cost of planning on the local level, **EXHIBIT(tas38a04)**. **SEN. ELLIS** said, though, that if only \$25,000 grants are being

allowed, \$1 million would cover 40 plans, and it is unlikely that that many would be requested in a biennium. **SEN. COCCHIARELLA** said she agreed, but reiterated that this is for any eligible local government. She said the Department of Commerce provides help to planners and communities now through the community technical assistance program, and this bill does not require the state to provide planning. She said it is unlikely that this program will spend \$1 million of the bed tax this biennium.

SEN. BOHLINGER asked **Dr. Blouke** if there would be some merit in expanding the investment pool by increasing the 4% resort tax, and **Dr. Blouke** said that if you look at the totality of needs in the state, one of the issues the Administration is facing is the whole issue of taxes in the state. He said the Governor is in favor of overall tax reform, not piecemeal tax adjustments, and he said he did not believe there is a direct correlation between the amount of the bed tax and the amount of tourism income.

SEN. DEVLIN asked **SEN. COCCHIARELLA** what **SB 97** deals with, and she replied that that is a package of bills that have already passed through the Senate, **SB 95**, **SB 96** and **SB 97**, which came from the Growth Study, and those bills renamed master plan to growth policy, and redirected the focus to planning rather than subdivisions. **SEN. DEVLIN** asked if there was money involved in those bills, and she said no. **SEN. DEVLIN** then asked why this bill would be void if **SB 97** doesn't pass, and **SEN. COCCHIARELLA** said that **SB 97** refers to the whole change that was put into place under what is called "master planning," and she wants to assure that if this bill passes that the words on the front page referring to "master plan" are called "growth policy," in other words, coordinate this law with the language of **SB 95**, **SB 96** and **SB 97**.

SEN. DEVLIN asked **Mr. Doggett** about **HB 286**, and he answered that that is a bill sponsored by Shiell Anderson which came out of the four meetings of the Bed Tax Futures Committee.

SEN. DEVLIN then said that this committee has a bill before it that raises some money from the rental car people that might be diverted into this program. **SEN. COCCHIARELLA** said that that sounded like another possible source of funding to communities for this purpose.

SEN. DEPRATU asked if there had been any conversation with the Innkeepers or the Travel Montana people in the creation of this legislation, and **SEN. COCCHIARELLA** said that there was a gambit of people involved in this, but that at their last session where they discussed funding for this project, there was no one in the room that represented any of the other sources of revenue that

were discussed. **SEN. DEPRATU** asked what would happen to any balance left at the end of the biennium, and **SEN. COCCHIARELLA** replied that if that could be left to collect interest and grow, then \$1 million may be all that would ever be necessary to fund this program. The bill leaves those decisions up to the Department.

SEN. ECK referred to line 6, page 5, where it says they have to agree to complete the growth policy, or master plan, or implementation activity within one year, she wondered if it would take longer than that, and **SEN. COCCHIARELLA** said that the communities have to be serious about planning and should have taken steps to get to that point of applying for a grant. She said that probably there has been nine months' or a year's worth of work already into the process before they can plan or implement the plan.

SEN. ECK asked whether the implementation activity could be a small part of a broader plan, and **SEN. COCCHIARELLA** said that if a plan is in place and a community wants to implement a small part of the plan, they can do that. **SEN. ECK** said that the role of the Technical Action Bureau of the Department of Commerce is to approve the plans, but wondered if they set the criteria, and **SEN. COCCHIARELLA** said that this legislation specifies that the criteria is determined at the local level.

SEN. ECK then pointed out that the Fiscal Note says an additional full-time person will be needed to carry this out program, and she asked if that was realistic, and **SEN. COCCHIARELLA** said that there may be instances where a full-time planner may be needed to accomplish the goals of this bill.

SEN. STANG asked **Mr. Doggett** what other alternatives for funding he was referring to, and he replied that he was referring to the state General Fund.

SEN. STANG referred to **Dr. Blouke's** statement that raising the amount of the bed tax would not necessarily raise the money available, and he wondered if the converse might not be true, that if you lower it \$1 million, it would lower it that amount. **Dr. Blouke** said he would have difficulty arguing either aspect. He said he is not sure it is a one-to-one correlation.

SEN. STANG also asked about the Local Government Assistance Division, which is a part of the Department of Commerce, and whether it would be the Department's responsibility to come up with a funding source to fund this program. **Dr. Blouke** said that certainly the Department would have a responsibility to assist in that process; however, he said that this particular bill was

generated or brought forward by the Environmental Quality Council, not the Department of Commerce. He said the Department would be happy to try to work with the sponsor or any other group to identify sources of funding. He reiterated again that the Department's objection is not necessarily to the concept contained in the bill, but with using the bed tax as the funding source.

SEN. STANG said if **SB 95**, **SB 96** and **SB 97** should pass, and knowing the need for planning in the communities of Montana, what the chances were of getting \$1 million from the General Fund, and **Dr. Blouke** said it would be pretty difficult.

SEN. STANG then asked **SEN. COCCHIARELLA** if she remembered any other funding options that might have been discussed by the Council, and she said that they discussed a real estate transfer tax, coal severance tax, a sales tax, the whole gambit of resources out there. There was not a consensus, but the bed tax was the one that was felt most appropriate. **SEN. STANG** asked whether, if a local option sales tax were to pass, local communities could use that as partial funding for this, and **SEN. COCCHIARELLA** said that would be appropriate also. She said it would be a local decision, but that if that were used for planning, it would be well spent.

Closing by Sponsor:

SEN. COCCHIARELLA said she appreciated the time the committee had taken on this bill. The EQC is the bipartisan effort that comes up with solutions to some of our major problems in the environmental arena. She said she is sorry that the bed tax is not the popular choice of the opponents for funding, but in the state of Montana it appears that much of the so-called tourism money that is generated is actually money paid by Montanans who travel in this state. She said the bed tax also seems not to benefit a lot of communities where it is being paid, and those communities have no return on the dollar because they may not be the tourist attractions that they could be if they had money for planning for a tourist-related industry.

SEN. COCCHIARELLA said the bill is very important. She said that many of Montana's communities are frustrated with the problems they are facing and wondering how they are going to deal with those problems. One of the tools they need is money to help them get going. The Department of Commerce does have the Community Technical Assistance Program in place, and are providing assistance presently. This would be the appropriate place to have a program like this. She said that if we could find another source of revenue, the concept is good for all of Montana.

ADJOURNMENT

Adjournment: 9:05 A.M.

SEN. GERRY DEVLIN, Chairman

SANDY BARNES, Secretary

GD/SB

EXHIBIT (tas38aad)